IN THE DISTRICT COURT OF THE VIRGIN ISLANDS
DIVISION OF ST. THOMAS & ST. JOHN

BAREFOOT ARCHITECT, INC.,	)	
	)	
Plaintiff,	)	
	)	
v.	)	
	)	**Civil No. 2004-99**
SARAH L. BUNGE, THOMAS F. FRIEDBERG, TRACY ROBERTS, and SPRINGLINE ARCHITECT, LLC,	)	
Defendants.	)	
_____	)	

ATTORNEYS:

Steven Hogroian, Esq.
St. John, U.S.V.I.
For the Plaintiff,

Henry C. Smock, Esq.
St. Thomas, U.S.V.I.
For the Defendants.

ORDER

GÓMEZ, C.J.

Before the Court is the motion of the defendants, Sarah L. Bunge ("Bunge"), Thomas F. Friedberg ("Friedberg"), Tracy Roberts ("Roberts"), and Springline Architect, LLC ("Springline") (collectively, the "defendants") for reconsideration of this Court's June 22, 2007, Memorandum Opinion and Order dismissing Counts Two, Four, and Five of their counterclaim. Alternatively, the Defendants have moved for leave to amend their counterclaim,

pursuant to Federal Rule of Civil Procedure 15 ("Rule 15") and Local Rule of Civil Procedure 15.1 ("Local Rule 15.1").

I. FACTS

On July 27, 2004, Barefoot Architect, Inc. ("Barefoot") filed a three-count complaint against the Defendants, alleging federal copyright infringement and unfair competition claims, as well as a breach of contract claim. The defendants filed an answer on October 18, 2004, which did not include any counterclaims. On March 9, 2007, after receiving leave from the Court, the defendants filed a Third Amended Answer and Counterclaim, alleging breach of contract; fraud and misrepresentation; breach of fiduciary duty; federal unfair competition and unauthorized use of trade name; and tortious interference with contractual relations. On May 23, 2007, the Court denied the Defendants leave to join A. Michael Milne ("Milne")[1] as an involuntary plaintiff.

On June 22, 2007, this Court entered a Memorandum Opinion and Order (the "June 22, 2007, Order") dismissing Counts Two, Four, and Five, of the counterclaim, pursuant to Federal Rule of Civil Procedure 12(b)(6) ("Rule 12(b)(6)"). On July 9, 2007, the Defendants filed the instant motion for reconsideration of the

[1] The Defendants claim that Milne was associated with Barefoot.

portions of the June 22, 2007, Order dismissing Counts Two and Four, the claims for fraud and misrepresentation and federal unfair competition and unauthorized use of trade name.[2] In the alternative, the Defendants seek leave to amend the counterclaim.

II. ANALYSIS

A. Motion for Reconsideration

The Defendants argue that the Court should reconsider its June 22, 2007, Opinion and Order to correct clear error or prevent manifest injustice with respect to the dismissal of Counts Two and Four of the counterclaim.

Under Local Rule of Civil Procedure 7.4 ("Local Rule 7.4"), a party may file a motion for reconsideration "within ten (10) days after the entry of the order or decision." LRCi 7.4 (2000). A motion for reconsideration must be based on: (1) "intervening change in controlling law;" (2) "availability of new evidence," or; (3) "the need to correct clear error or to prevent manifest injustice." *Id.* The purpose of a motion for reconsideration "is to correct manifest errors of law or fact or to present newly

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[2] Additionally, the Defendants request that the Court vacate its finding that "Friedberg failed to make timely payments to Barefoot." (Mem. Opn. 2, June 22, 2007.) However, that statement was immaterial to the disposition of the motion to dismiss the counterclaim, and was not intended as a definitive finding of fact by the Court. Rather, the statement was mere surplusage, included to provide context for the filing of the underlying complaint in this action.

discovered evidence." *Harsco Corp. v. Zlotnicki*, 779 F.2d 906, 909 (3d Cir. 1985). Such motions are not substitutes for appeals, and are not to be used as "a vehicle for registering disagreement with the court's initial decision, for rearguing matters already addressed by the court, or for raising arguments that could have been raised before but were not." *Bostic v. AT&T of the Virgin Islands*, 312 F. Supp. 2d 731, 733, 45 V.I. 553 (D.V.I. 2004).

With respect to the dismissal of Count Two, the Defendants argue that the Court clearly erred in holding that they failed to allege a breach of any duties other than those arising out of contract. The Defendants point to allegations in the counterclaim that Barefoot breached obligations stemming not from the parties' written contract, but from their subsequent oral agreements. However, the fact that the duties allegedly breached in Count Two were imposed by oral rather than written agreement does not detract from the contractual nature of those duties. *See Bohler-Uddeholm America Inc.*, 247 F.3d at 103 ("[T]he important difference between contract and tort actions is that the latter lie from the breach of duties imposed as a matter of social policy while the former lie for the breach of duties imposed by mutual consensus." (citation and quotations omitted)). As the Court explained in the July 22, 2007, Order, "[w]hether or not

the duties breached by Barefoot were within the scope of the written contract, those alleged obligations were imposed by mutual consensus rather than by social policy." (Mem. Opn. 5, June 22, 2007.)

The Defendants also argue that the Court clearly erred in dismissing Count Four for failure to allege the use of the trademark in commerce. The Defendants claim that the "use in commerce" element was satisfied by allegations in the counterclaim that Barefoot used the Defendants' marks in writing, orally, and on the internet, for advertising and promotional services. However, as the Court explained when it dismissed Count Four, allegations that Barefoot used the mark for advertising and promotional purposes do not establish "use in commerce" under the Lanham Act. *See* 15 U.S.C. § 1127; *Buti* v. *Perosa, S.R.L.,* 139 F.3d 98, 103-05 (2d Cir. 1998) *cert. denied*, 525 U.S. 826 (1998) (noting that the services advertised, not the advertising itself, must have been "rendered in commerce" to satisfy the "use in commerce" requirement of the Lanham Act); (Mem. Opn. 13, June 22, 2007.).

The Defendants have failed to show clear error or manifest injustice with respect to the dismissal of Counts Two or Four. Rather, they seek to reargue matters already addressed by the Court.

B. Leave to Amend the Counterclaim

The Defendants seek to amend the counterclaim to add factual allegations to Counts Two and Four, both of which were dismissed for failure to state a claim in the July 22, 2007, Order. While the Defendants make no arguments with respect to Count Five, also dismissed for failure to state a claim, the proffered amendment would reinstate Count Five without amending the allegations contained therein. Finally, although the Defendants stated in their reply to Barefoot's opposition to the instant motion that they accept the Magistrate Judge's denial of leave to join Milne, the proffered amendment includes Milne as a party.[3] Barefoot opposes the amendment, arguing that it improperly adds Milne as a party, causes undue delay, and fails to cure the defects in Counts Two and Four.

After a responsive pleading has been filed, Federal Rule of Civil Procedure 15(a) ("Rule 15") permits amendment of a complaint only by leave of the Court. *See* Fed. R. Civ. P. 15(a) (1993); *see also* LRCi 15.1 (1992) (setting forth the form of a motion to amend and its supporting documentation). Leave to

[3] Though Milne is joined in the proposed amendment attached to the instant motion for leave, the Defendants do not specifically argue in the motion that Milne should be joined as a party in this matter.

amend "shall be freely given when justice so requires." Fed. R. Civ. P. 15(a).[4]

> While Rule 15(a) provides that leave to amend should be "freely given," a district court has discretion to deny a request to amend if it is apparent from the record that (1) the moving party has demonstrated undue delay, bad faith or dilatory motives, (2) the amendment would be futile, or (3) the amendment would prejudice the other party.

Hill v. City of Scranton, 411 F.3d 118, 133-35 (3d Cir. 2005) (citing *Foman v. Davis*, 371 U.S. 178, 182 (1962)); *see also Pennsylvania Employees Ben. Trust Fund v. Zeneca Inc.,* 499 F.3d 239, 252-53 (3d Cir. 2007) (noting that the decision to grant leave to amend lies within the sound discretion of the district court).

"Prejudice to the non-moving party is the touchstone for the denial of an amendment." *Lorenz v. CSX Corp.,* 1 F.3d 1406, 1413-14 (3d Cir. 1993). Prejudice must be substantial or undue to

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[4] The standard outlined in Rule 15(a) applies when a party seeks leave to re-plead previously dismissed claims to cure the deficiencies in the prior pleading. *See Newark Branch, N.A.A.C.P. v. Town of Harrison, N.J.* 907 F.2d 1408, 1417 (3d Cir. 1990) ("[L]eave to amend [] should be routinely granted to [parties] even after judgments of dismissal have been entered against them, if the appropriate standard for leave to amend under [Rule] 15(a) is satisfied."); *see also District Council 47, American Federation of State, County and Mun. Employees, AFL-CIO by Cronin v. Bradley,* 795 F.2d 310, 316 (3d Cir. 1986) (holding that, after granting the defendants' motion to dismiss under Rule 12(b)(6), "the district court at the least should have granted the plaintiffs leave to amend their complaint to provide sufficient specific factual allegations [to state a claim]").

justify denying leave to amend. *Id.* To be unduly prejudicial, the proposed amendment must "unfairly disadvantage[]" the non-movant. *Bechtel v. Robinson,* 886 F.2d 644, 654 (3d Cir. 1989) (citations and quotations omitted); *see also Brodvin v. Hertz Corp.,* 487 F. Supp 1336, 1339 (S.D.N.Y. 1980) (finding prejudice based on factors including: the stage of the proceedings; the time, money, and other resources expended in litigating the case; and the availability of the facts in the proposed amendment). Similarly, delay must be undue to justify denying leave to amend. *USX Corp. V. Barnhart,* 395 F.3d 161, 167-68 (3d Cir. 2004). While the mere passage of time does not require denial of leave to amend, "[a]t some point . . . delay will become 'undue,' placing an unwarranted burden on the court, or will become 'prejudicial,' placing an unfair burden on the opposing party." *Id.* (citation and quotations omitted).

Despite the Defendants' statement that they accept the Magistrate Judge's recent denial of leave to add Milne as a party, they proffer an amended counterclaim that does precisely that. Given the tension between the Defendants' stated position and the proposed counterclaim attached to their motion to amend, the Court will assume in an abundance of caution that the

proffered counterclaim would add Milne as a party.[5] In their original motion for leave to add Milne as an involuntary plaintiff, the Defendants argued that they had discovered new information indicating that Milne was an indispensable party. However, the Magistrate Judge rejected that argument and denied leave to amend the counterclaim to join Milne. The Defendants could have appealed the Magistrate Judge's order under Local Rule of Civil Procedure 72.1 ("Local Rule 72.1"), but failed to do so. The Court will not now allow the involuntary joinder of Milne in direct contravention of an explicit order of the Court. *Berke v. Bloch,* 242 F.3d 131, 136 (3d Cir. 2001) ("The judicial process works best when orders mean what they say.").

Furthermore, the Defendants waited two years after this action commenced before attempting to add a counterclaim without leave of the Court. They proposed three different amendments to the counterclaim before the Court granted leave to amend.[6] The

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[5] The proposed amendment joining Milne is the only amendment that has been proffered in connection with the instant motion. It is attached to the motion in accordance with Local Rule of Civil Procedure 15.1. *See* LRCi 15.1 (requiring a party who moves for leave to amend a pleading to attach the proffered amendment to the motion). Additionally, the motion specifically refers to the attached proposal as the amended answer and counterclaim the Defendants wish to file.

[6] In fact, the counterclaim is entitled "Defendants' Third Amended Answer, Affirmative Defenses, and Counterclaim." (3d Am. Answer, Affirmative Defenses, and Countercl. 1, March 9, 2007.)

amendment currently proffered was requested three years after the commencement of this action. Discovery has been conducted for approximately two and a half years, and is now in its final stages. Given the late stage of the proceedings, the proposed amendments would unduly delay the progress of this case and unfairly disadvantage Barefoot by requiring re-litigation of issues that have already been decided in its favor. *See, e.g., Cureton v. NCAA*, 252 F.3d 267, 274 (3d Cir. 2001) (finding undue delay because the motion for leave to amend was filed three years after commencement of the action, the facts in the amendment were available nearly two-and-one-half years before seeking leave, and the amendment would frustrate judicial efficiency and finality); *Brodvin,* 487 F. Supp. at 1339 ("At this late stage in the litigation, it would be unfair to ask the plaintiffs to spend the time, money, and legal resources necessary to respond the defendants' proposed [affirmative] defense").

Accordingly, it is hereby

ORDERED that the motion for reconsideration will be **DENIED;** and it is further

ORDERED that the motion for leave to amend will be **DENIED**.

DATED: December 5, 2007 **S_____**
Curtis V. Gómez
Chief Judge

Copy:

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